



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

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Legislative Fiscal Analyst
CLAYTON SCHENCK

DATE: September 28, 2006

TO: Legislative Finance Committee

FROM: Jon Moe, Fiscal Specialist

RE: Budget Stabilization Account Legislative Proposal

The attached budget stabilization account (A.K.A., rainy day fund) proposal is a conceptual outline of such an account, developed for purpose of presenting the bill draft proposal to the committee in absence of an actual bill draft. It lays out the components of the account for purposes of review by the Legislative Finance Committee and will be drafted in bill form for approval at the October or November LFC meeting, depending upon when the draft can be available and whether the committee approves the concepts presented. I have also attached a timeline graphic that illustrates the potential timing of relevant events.

This proposal was developed with the guidance of the rainy day fund "bulldog" legislators (Representative Buzzas and Senator Laible).

The concept is a relatively simple one and would serve as a good starting point for legislative consideration. If you have questions concerning this proposal, feel free to contact me at jonmoe@mt.gov or at (406) 444-4581.

Attachments (2)

COMPONENTS OF A RAINY DAY FUND PROPOSAL

Terminology: Budget stabilization account

Type of Fund: Sub fund of the general fund (separate accounting entity, i.e., 01102)

Fund Size (Cap on size that the fund can be):

Balance in the budget stabilization account not to exceed 9 percent of the general fund appropriations and transfers for the biennium prior to the year in which the transfer is made...the determination of the maximum balance will be made by December 31 of each odd-numbered calendar year (the first determination would occur by December 31, 2007)

Source of monies going into the fund:

A transfer of 50 percent of the amount by which the audited ending unreserved and undesignated general fund balance exceeds 5 percent of all general fund appropriations and transfers during the prior biennium...by December 31 of odd-numbered calendar years, from the state general fund to the budget stabilization account ...with the first transfer for the 2009 biennium occurring by December 31, 2009

Transfer or appropriation by the legislature

Donations and gifts

Use of Fund:

Governor would use funds to avoid or offset 17-7-140 spending reductions (Governor spends from the account when there is a projected general fund deficit)

Governor may not use the money in the account for any other purpose unless appropriated by the legislature

Withdrawals from the Fund:

Governor is given authority to transfer from the budget stabilization account to the general fund so money is available to avoid 17-7-140 spending reductions

Governor may not transfer, during a biennium, more than 80 percent of the balance budget stabilization account to the general fund, or transfer more than would reduce the balance to \$5 million

Once funding is transferred or appropriated to the account and is at least \$5 million, balance to never fall below \$5 million

Effective Date: Upon passage and approval with applicability to allow current year transfer, but delaying the transfer of an excess fund balance amount described above until after July 1, 2009

POTENTIAL TIMELINE BASED UPON CONCEPT

